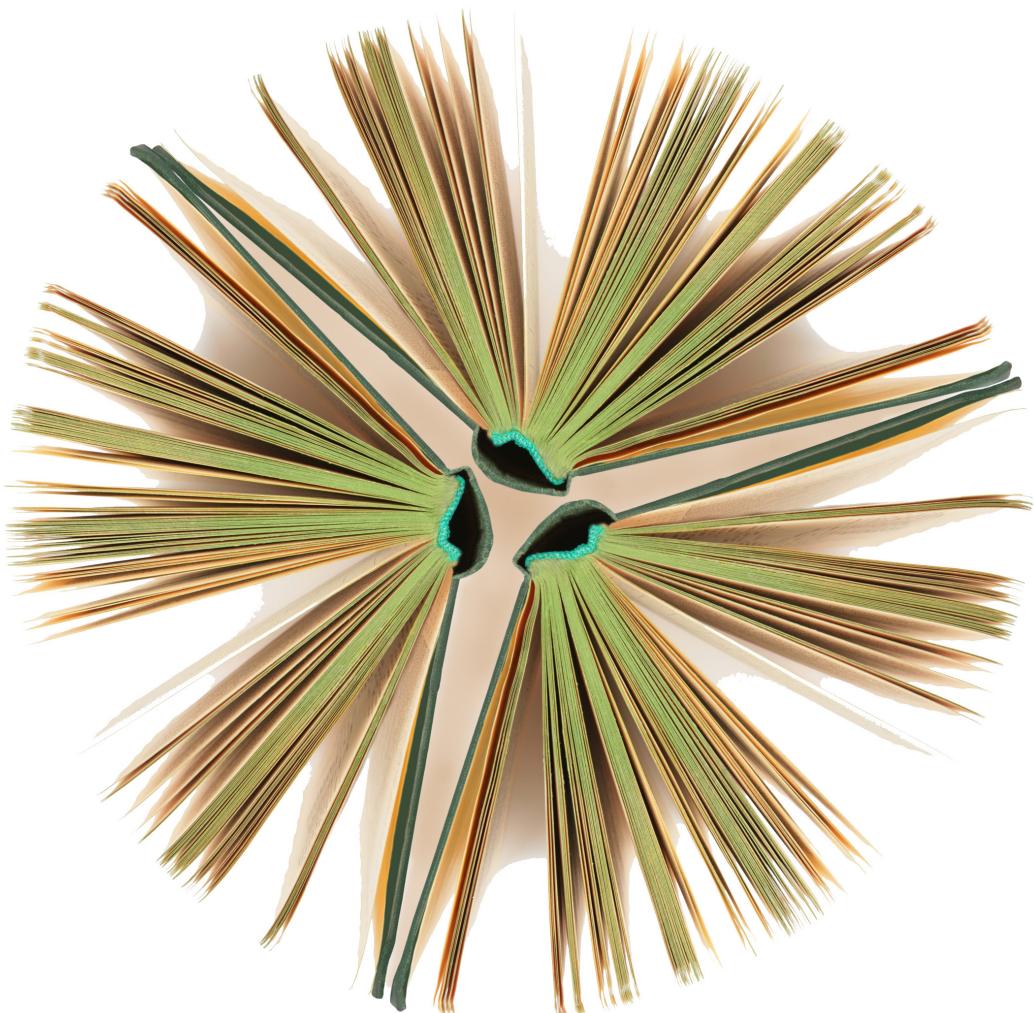


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## Papua New Guinea Tax Alert

January 2026





## Draft IRC Ruling on Motor Vehicle Benefits (From 1 January 2026)

The IRC has released a Draft Taxation Ruling for comments outlining how motor vehicle benefits provided by employers will be treated for Salary & Wages Tax (SWT) purposes under the New Income Tax Act 2025, effective 1 January 2026. While the Draft Taxation Ruling is subject to change, some important points are as follows:



### When does a Motor Vehicle Benefit Arise?

A motor vehicle benefit arises when an employer provides a vehicle wholly or partly for private use. Importantly, actual private use is not required- availability is enough. For example, if the vehicle is:

- Kept at the employee's home after hours, or
- In their custody or control outside work hours, including the employee holds the keys to the car

Then this would be considered to be available for private use. If the vehicle is not available for private use, no benefit arises.

Examples where no private use may exists include fleet vehicles kept at the employer's premises overnight.

Private use include:	Not counted a private use:
<ul style="list-style-type: none"> <li>• Driving for personal purposes, including home to work travel</li> <li>• Weekends and non-work trips</li> <li>• Use by family/ associates</li> </ul>	<ul style="list-style-type: none"> <li>• Work-related travel that produces income for the employer</li> <li>• Certain duty-related travel</li> </ul>



### Taxable value of the benefit:

The taxable benefit is calculated each fortnight using a standard formula:

Step 1	Step 2	Step 3
Base Value	Base value can be reduced by	Age Discount
<b><math>(A \times 10\%) \div 26</math></b>	<ul style="list-style-type: none"> <li>• Any employee payments for fuel/ maintenance</li> <li>• Business use proportion (substantiated through a logbook) and</li> <li>• Days not available for private use (where vehicles are parked at the office car park when employees are on holidays)</li> </ul>	<ul style="list-style-type: none"> <li>• If the vehicle is more than 10 years old, the value of the benefit is reduced by one-third.</li> </ul>

Where:  
A = Cost of the vehicle owned, or fair market value if leased calculated at the start of the lease



### Justifying business usage

Business use must relate to work activities that help produce employer income. To substantiate use, the IRC proposes a logbook approach. Employees are expected to maintain a logbook for the use of motor vehicle for work related purposes. As we mentioned above, travel from home to work is not considered to be work related. The logbook requires maintaining the odometer reading and for 84 consecutive days, including the weekends.

## Action Points for Employers

- Identify employees with vehicles available for private use
- Review employment contracts and policies
- Implement logbooks and tracking to determine work/private use percentage as soon as possible
- Update payroll system/SWT calculation for 2026

## Conclusion

The proposed rules introduced a formula-based valuation, replacing the old prescribed K95/K125 method. Employers must ensure availability, business use, and employee contributions are properly recorded, supported, and used to reduce exposure to SWT.



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